

Information returns; insurance premiums as gross receipts. In determining whether the gross receipts of a local lodge of a tax-exempt fraternal beneficiary society are not more than \$5,000 and whether it is excepted, as provided in section 6033(a)(2)(A)(ii), from the requirements for filing information returns, insurance premiums collected from its members, maintained separately without use or benefit, and remitted to its parent organization which issued the insurance contracts are not gross receipts of the local lodge.

Advice has been requested whether, under the circumstances described below, the funds collected by a local lodge of a fraternal beneficiary society are gross receipts of the local lodge for purposes of section 6033(a)(2)(A)(ii) of the Internal Revenue Code of 1954.

The fraternal beneficiary society consists of a parent organization and local lodges that are separate legal entities. The parent organization and the local lodges are exempt from Federal income tax under section 501(c)(8) of the Code.

The parent organization operates an insurance program for its members and issues policies to the individual members of the society. The local lodge is not party to the insurance contract. The parent organization is considered the sole insurer by the state insurance board. The local lodge, however, collects the premium payments for these policies. It keeps these payments in a special bank account separate and apart from its own funds. The local lodge has no authority to do anything with these payments except to forward the entire amount to the parent organization without deduction for expenses of collection or for amounts owed the local lodge by the parent organization.

Section 6033 of the Code requires the filing of annual information returns by organizations exempt from Federal income tax under section 501(a).

Section 6033(a)(2)(A)(ii) of the Code excepts from the above filing requirement any organization (other than a private foundation, as defined in section 509(a)) described in subparagraph (C), the gross receipts of which in each taxable year are normally not more than \$5,000. Among the organizations included in subparagraph (C) is an organization described in section 501(c)(8).

Section 1.6033-2(g)(4) of the Income Tax Regulations defines the term 'gross receipts' as the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses. Gross receipts is further defined by this section as including amounts received as gifts, grants, dues, assessments from members, sales or receipts from business activities, amounts received on the sale of assets,

and amounts received from investments, such as interest, dividends, rents, and royalties.

The purpose of the reporting requirements of section 6033 of the Code is to disclose the sources of income, disbursements, and the business activities of an organization. Where a local organization merely collects insurance premiums for a parent organization and forwards them to the parent without asserting any right to use them or otherwise deriving benefit from their collection, and where the parent is required to report the collection of these premiums, the local organization does not have 'gross receipts' within the meaning of section 6033(a)(2)(A)(ii).

Accordingly, the premium payments collected by the local lodge in the manner and under the conditions described above are not gross receipts of the local lodge for purposes of section 6033(a)(2)(A)(ii) of the Code.